

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Olivet	County Eaton
Fiscal Year End June 30, 2006	Opinion Date December 15, 2006	Date Audit Report Submitted to State December 29, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

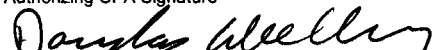
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Douglas Wohlberg CPA		Telephone Number (616) 583-0094		
Street Address PO Box 1013		City Byron Cener	State MI	Zip 49315
Authorizing CPA Signature 		Printed Name Douglas Wohlberg		License Number 18239

City of Olivet

Eaton County, Michigan

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2006

City of Olivet

Eaton County, Michigan

Contents

June 30, 2006

Independent Auditor's Report	1
Management's Discussion and Analysis	3-7
BASIC FINANCIAL STATEMENTS	
Government Wide Financial Statements	
Statement of Net Assets	11
Statement of Activities	12 - 13
Fund Financial Statements	
Governmental Funds	
Balance Sheet	14
Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	15
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds	
Statement of Net Assets	18
Statement of Revenues, Expenses and Changes in Net Assets	19
Statement of Cash Flows	20
Notes to Basic Financial Statements	24 - 35
Required Supplemental Information	
General Fund	
Balance Sheet	38
Budgetary Comparison Schedule	39 - 40
Major Streets Fund	
Balance Sheet	42
Budgetary Comparison Schedule	43
Local Streets Fund	
Balance Sheet	44
Budgetary Comparison Schedule	45
NONMAJOR GOVERNMENTAL FUNDS	48 - 50
LONG-TERM DEBT SCHEDULE	
\$1,147,000 1994 Sewer Revenue Bonds	54
\$390,000 2002 Water Capital Improvement General Obligation Bonds	55
AUDITORS' REPORTS	
Communication with Audit Committee or its Equivalent	59
Management Comments Letter	61
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	63

INDEPENDENT AUDITOR'S REPORT

To the City City Council
City of Olivet
Eaton County, Michigan

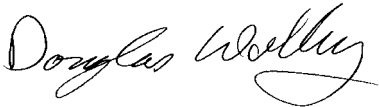
We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olivet as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Olivet management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Olivet as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Olivet basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



Byron Center, Michigan
December 15, 2006

City of Olivet

Eaton County, Michigan

Management Discussion and Analysis

For the year ended June 30, 2006

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements.

The City as a Whole

The City's combined net assets increased 1% from a year ago, increasing from \$3,396,887 to \$3,437,129.

Unrestricted net assets, the part of net assets that can be used to finance day to day operations, increased by \$332,127 for the governmental activities. This represents an increase approximately 29%. The current level of unrestricted net assets for our governmental activities stands at \$1,480,333, or about 143% of expenses. This is within the targeted range set by the City Council during its last budget process.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Current assets	\$ 1,193,190	\$ 1,277,069	\$ 269,183	\$ 294,216	\$ 1,462,373	\$ 1,571,285
Noncurrent assets	762,141	624,561	2,516,459	2,541,032	3,278,600	3,165,593
Total assets	1,955,331	1,901,630	2,785,642	2,835,248	4,740,973	4,736,878
Long-term debt outstanding	-	-	1,285,127	1,334,127	1,285,127	1,334,127
Other liabilities	9,993	1,261	8,724	4,603	18,717	5,864
Total liabilities	9,993	1,261	1,293,851	1,338,730	1,303,844	1,339,991
Net assets						
Invested in capital assets - net of debt	762,141	634,561	1,148,986	1,206,905	1,911,127	1,841,466
Restricted	16,019	362,287	29,650	44,928	45,669	407,215
Unrestricted	1,167,178	903,521	313,155	244,685	1,480,333	1,148,206
Total net assets	\$ 1,945,338	\$ 1,900,369	\$ 1,491,791	\$ 1,496,518	\$ 3,437,129	\$ 3,396,887

City of Olivet

Eaton County, Michigan

Management Discussion and Analysis

For the year ended June 30, 2006

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
<u>Program revenues</u>						
Charges for services	\$ 88,548	\$ 59,251	\$ 344,047	\$ 324,298	\$ 432,595	\$ 383,549
Operating grants and contributions	154,694	7,123	43,983	-	198,677	7,123
<u>General revenue</u>						
Property tax	211,144	206,973	-	-	211,144	206,973
State shared revenue	208,063	319,246	-	-	208,063	319,246
Unrestricted investment income	15,975	9,999	6,101	2,947	22,076	12,946
Miscellaneous	-	6,594	-	-	-	6,594
Interfund transfers	15,000	8,000	(15,000)	(8,000)	-	-
Gain on sale of assets	1,336	-	-	-	1,336	-
Total revenues	694,760	617,186	379,131	319,245	1,073,891	936,431
<u>Program expenses</u>						
General government	167,107	140,598	-	-	167,107	140,598
Public safety	252,971	224,646	-	-	252,971	224,646
Public works	195,265	115,402	-	-	195,265	115,402
Health and welfare	8,948	-	-	-	8,948	-
Community and economic development	8,168	7,441	-	-	8,168	7,441
Recreation and culture	17,332	15,219	-	-	17,332	17,332
Other	-	77,669	-	-	-	77,669
Sewer Fund	-	-	199,758	164,051	199,758	164,051
Water Fund	-	-	184,100	169,943	184,100	169,943
Total expenses	649,791	580,975	383,858	333,994	1,033,649	917,082
Change in net assets	\$ 44,969	\$ 36,211	(4,727)\$	(14,749)\$	40,242 \$	19,349

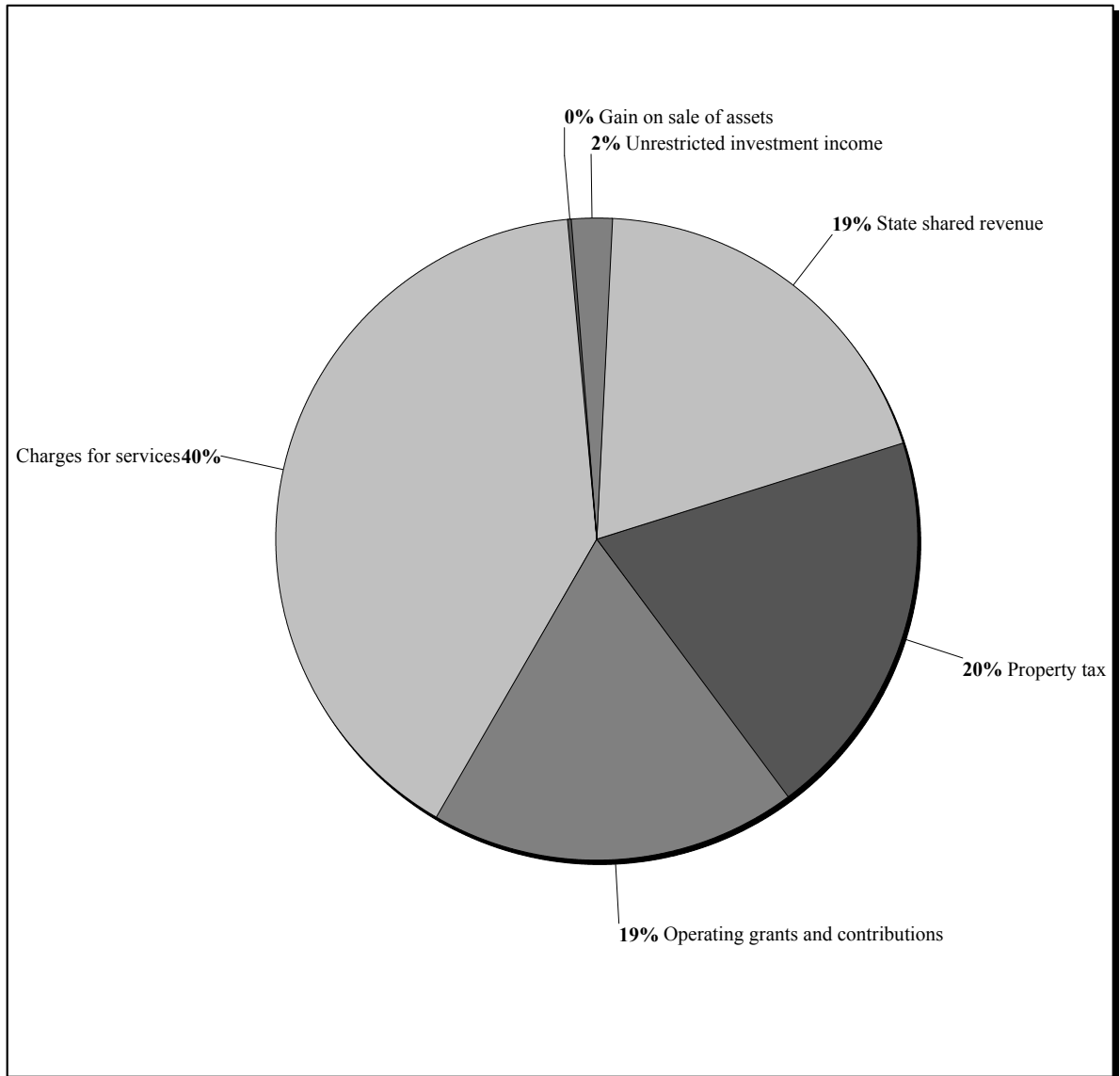
City of Olivet

Eaton County, Michigan

Management Discussion and Analysis

For the year ended June 30, 2006

The following chart illustrates the sources of the City's revenue.



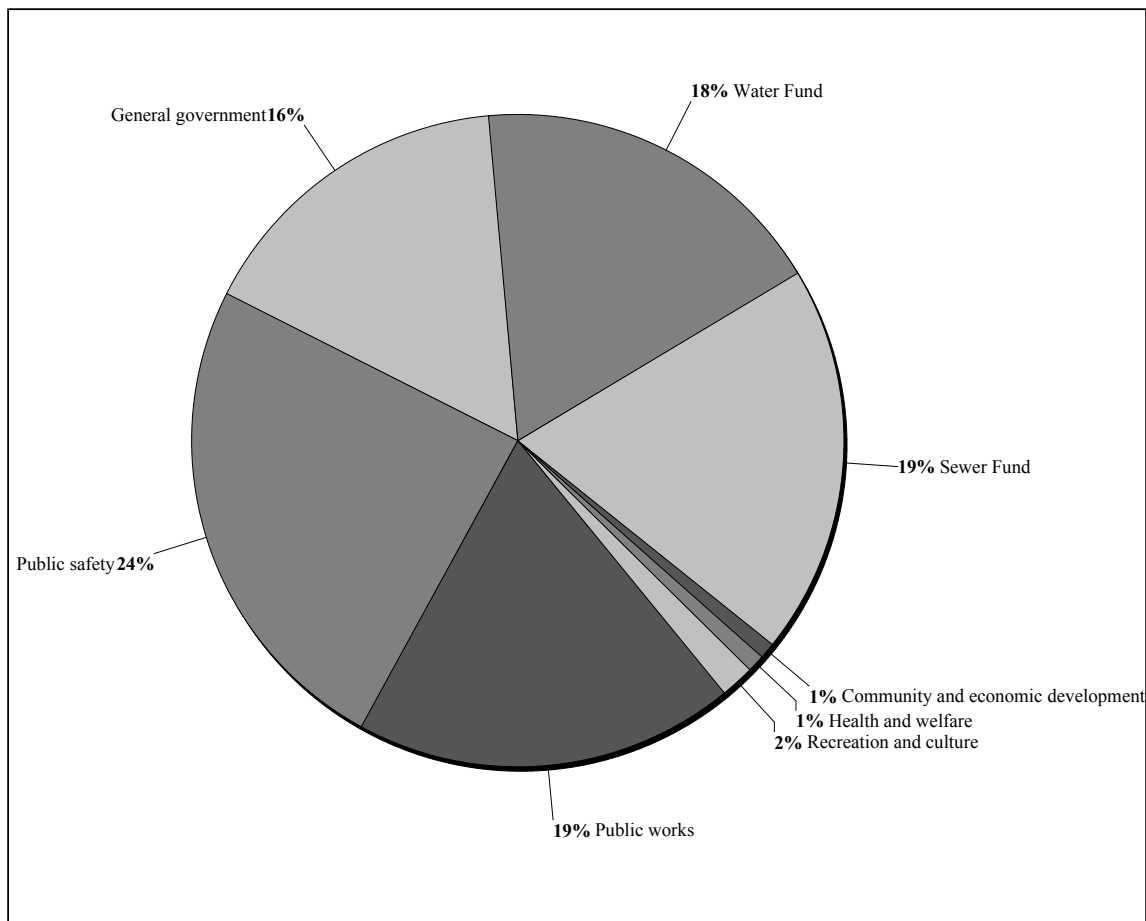
City of Olivet

Eaton County, Michigan

Management Discussion and Analysis

For the year ended June 30, 2006

The following chart illustrates the City's expenses.



City of Olivet

Eaton County, Michigan

Management Discussion and Analysis

For the year ended June 30, 2006

The City's Funds

Our presentation of the City's funds begins on page 14, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2006 were the General Fund, the Major Streets Special Revenue Fund and the Local Streets Special Revenue Fund.

The General Fund Budget

The City's management does not expect the budget for 2006-2007 to be significantly different from 2005-2006.

Capital Asset and Debt Administration

At the end of 2006, the City had \$3,278,600, net of accumulated depreciation, invested in a broad range of capital assets, including buildings, police and fire equipment, streets and bridges and water and sewer lines.

The following table shows the City's capital assets compared to last year.

	<u>Governmental Activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	2006	2005	2006	2005	2006	2005
Buildings and improvements	\$ 139,817	\$ 60,357	\$ -	\$ -	\$ 139,817	\$ 60,357
Vehicles	362,002	402,664	-	-	362,002	402,664
Equipment	163,887	189,157	-	-	163,887	189,157
Streets infrastructure	96,435	-	-	-	96,435	-
Sewer	-	-	1,441,267	1,438,585	1,441,267	1,438,585
Water	-	-	1,075,192	1,102,444	1,075,192	1,102,444
Total net assets	\$ 762,141	\$ 652,178	\$ 2,516,459	\$ 2,541,029	\$ 3,278,600	\$ 3,193,207

City of Olivet

Eaton County, Michigan

Management Discussion and Analysis

For the year ended June 30, 2006

Economic Factors and Next Year's Budgets and Rates

The City of Olivet will complete its biggest project in 2006-2007 with the finished construction of a second bridge that will connect two dead-end streets together and allow for a much needed second access to and from the Olivet Community Schools.

The City applied for grant funding from the Michigan Economic Development Trust Fund - Infrastructure Capacity Enhancements Program for water and sewer utility improvements. The total project is \$266,400 with Federal Grant Funding providing \$199,800 and local funding \$66,600.

The City Council will consider completing a skateboard park which will be located in the Memorial Park. A portion of the funding will come from the Eaton County Parks department.

Two new Ford Crown Victoria patrol cars and a new EMS Medical First Responder Vehicle will be purchased with grant funding from Rural Development. Local funds will be contributed to this project along with a long-term low interest loan. A new F-550 Pickup Truck with dump box and snowplow will be purchased with local funding.

The City of Olivet will maintain what we have while rebuilding our reserves. We will base our expenses on current grants and possible future grants for projects such as downtown enhancements, road repaving and water/sewer extensions.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, please feel free to contact the City Clerk/Treasurer's Office at the City of Olivet, 106 South Main, PO Box 367, Olivet, Michigan 49076. The City's phone number is (269) 749-4961.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Olivet

Eaton County, Michigan

Statement of Net Assets

For the year ended June 30, 2006

	Governmental activities	Business type activities	Total	Component units
ASSETS				
Cash and cash equivalents	\$ 1,060,737	\$ 281,150	\$ 1,341,887	\$ 174,512
Receivables (net)	38,685	81,801	120,486	-
Internal balances	93,768	(93,768)	-	-
Capital assets - net	762,141	2,516,459	3,278,600	-
TOTAL ASSETS	\$ 1,955,331	\$ 2,785,642	\$ 4,740,973	\$ 174,512
LIABILITIES				
Accounts payable	\$ 9,993	\$ 6,794	\$ 16,787	\$ -
Accrued and other liabilities	-	1,930	1,930	-
Due within one year	-	32,000	32,000	-
Due in more than one year	-	1,253,127	1,253,127	-
TOTAL LIABILITIES	9,993	1,293,851	1,303,844	-
NET ASSETS				
Restricted				
Debt service	-	29,650	29,650	-
Perpetual care - nonexpendable	16,019	-	16,019	-
Invested in capital assets	762,141	1,148,986	1,911,127	-
Unrestricted	1,167,178	313,155	1,480,333	174,512
TOTAL NET ASSETS	1,945,338	1,491,791	3,437,129	174,512
TOTAL LIABILITIES AND NET ASSETS	\$ 1,955,331	\$ 2,785,642	\$ 4,740,973	\$ 174,512

City of Olivet

Eaton County, Michigan

Statement of Activities

For the year ended June 30, 2006

Functions/Programs	Expenses	Charges for services	Operating grants and contributions
<u>GOVERNMENTAL ACTIVITIES</u>			
General government	\$ 167,107	\$ 52,656	\$ 48,663
Public safety	252,971	-	-
Public works	195,265	35,892	106,031
Health and welfare	8,948	-	-
Community and economic development	8,168	-	-
Recreation and culture	17,332	-	-
Total Governmental activities	649,791	88,548	154,694
<u>BUSINESS ACTIVITIES</u>			
Sewer	199,758	177,049	-
Water	184,100	166,998	43,983
Total Business type activities	383,858	344,047	43,983
Total Primary government	1,033,649	432,595	198,677
<u>COMPONENT UNIT</u>			
Economic Development	\$ 900	\$ -	\$ -

General Revenues

Property taxes

State-shared revenue

Unrestricted investment income

Gain on sale

Miscellaneous

Interfund transfers

Total general revenues - special items and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

Governmental activities	Business-type activities	Total	Component units
\$ (65,788)	\$	\$ (65,788)	\$
(252,971)		(252,971)	
(53,342)		(53,342)	
(8,948)		(8,948)	
(8,168)		(8,168)	
(17,332)		(17,332)	
(406,549)		(406,549)	
	(22,709)	(22,709)	
	26,881	26,881	
	4,172	4,172	
(406,549)	4,172	(402,377)	
			(900)
211,144	-	211,144	-
208,063	-	208,063	-
15,975	6,101	22,076	2,869
1,336		1,336	
-	-	-	16,682
15,000	(15,000)	-	-
451,518	(8,899)	442,619	19,551
44,969	(4,727)	40,242	18,651
1,900,369	1,496,518	3,396,887	155,861
\$ 1,945,338	\$ 1,491,791	\$ 3,437,129	\$ 174,512

City of Olivet

Eaton County, Michigan

Governmental Funds

Balance Sheet

June 30, 2006

	General Fund	Major Streets Special Revenue Fund	Local Streets Special Revenue Fund	Nonmajor Funds	Total
<u>ASSETS</u>					
Cash	\$ 591,884	\$ 113,852	\$ 188,687	\$ 35,861	\$ 930,284
Due from other governmental units	25,514	9,128	4,043	-	38,685
Due from other funds	42,500	-	-	345	42,845
Advances to other funds	82,346	-	-	-	82,346
TOTAL ASSETS	\$ 742,244	\$ 122,980	\$ 192,730	\$ 36,206	\$ 1,094,160
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES					
Accounts payable	\$ 8,732	\$ -	\$ -	\$ -	\$ 8,732
Due to other funds	345	35,005	6,005	-	41,355
TOTAL LIABILITIES	9,077	35,005	6,005	-	50,087
FUND EQUITY					
Fund balance reserved for					
Streets	-	87,975	186,725	-	274,700
Unreserved	733,167	-	-	36,206	769,373
TOTAL FUND EQUITY	\$ 733,167	\$ 87,975	\$ 186,725	\$ 36,206	\$ 1,044,073
TOTAL LIABILITIES AND FUND EQUITY	\$ 742,244	\$ 122,980	\$ 192,730	\$ 36,206	\$ 1,094,160

City of Olivet

Eaton County, Michigan

Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended June 30, 2006

Total fund balances - total governmental funds	\$	1,044,073
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets at cost	1,065,146
Accumulated depreciation	(574,102)
Net capital assets	491,044

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at June 30, 2006 were:

Internal service funds are used by management to charge the costs of equipment rental activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets	410,221
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Net assets of governmental activities	\$	1,945,338
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City of Olivet

Eaton County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2006

	General Fund	Major Streets Special Revenue Fund	Local Streets Special Revenue Fund	Nonmajor Funds	Total
REVENUE					
Property taxes	\$ 176,680	\$ -	\$ -	\$ 34,464	\$ 211,144
Federal grants	40,717	-	-	-	40,717
State grants	202,119	85,938	25,691	345	314,093
Licenses and permits	5,093	-	-	-	5,093
Fines and forfeits	5,846	-	-	-	5,846
Charges for services	38,198	2,183	1,337	-	41,718
Interest and rentals	11,568	-	295	488	12,351
Other revenue	3,204	-	-	-	3,204
Contributions from other local units of government	-	-	-	6,079	6,079
TOTAL REVENUE	483,425	88,121	27,323	41,376	640,245
EXPENDITURES					
General government	82,662	-	-	-	82,662
Public safety	220,195	-	-	-	220,195
Public works	13,945	152,158	44,445	-	210,548
Parks and recreation	15,182	-	-	-	15,182
Health and welfare	8,948	-	-	-	8,948
Economic development	1,570	-	-	6,598	8,168
Other	80,902	-	-	-	80,902
TOTAL EXPENDITURES	423,404	152,158	44,445	6,598	626,605
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	60,021	(64,037)	(17,122)	34,778	13,640
OTHER FINANCING SOURCES (USES)					
Transfers in	-	7,000	25,000	-	32,000
Transfers out	(28,000)	(2,000)	(1,000)	(34,000)	(65,000)
TOTAL OTHER FINANCING SOURCES (USES)	(28,000)	5,000	24,000	(34,000)	(33,000)
NET CHANGE IN FUND BALANCES	32,021	(59,037)	6,878	778	(19,360)
FUND BALANCES, BEGINNING OF YEAR	701,146	147,012	179,847	35,428	1,063,433
FUND BALANCES, END OF YEAR	\$ 733,167	\$ 87,975	\$ 186,725	\$ 36,206	\$ 1,044,073

City of Olivet

Eaton County, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2006

Net change in fund balances - total governmental funds	\$	(19,360)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay added to capital assets.	105,952
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An internal service fund is used by the City to charge the costs of equipment and vehicles to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets.	15,478
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Some expense reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Depreciation	(57,101)
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Change in net assets of government activities	\$	44,969
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City of Olivet

Eaton County, Michigan

Proprietary Funds

Statement of Net Assets

June 30, 2006

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
ASSETS				
Current assets				
Cash	\$ 211,196	\$ 69,954	\$ 281,150	\$ 130,453
Accounts receivable	42,189	39,612	81,801	-
Due from other funds	15,204	-	15,204	25,136
Total current assets	268,589	109,566	378,155	155,589
Noncurrent assets				
Capital assets	2,283,685	1,423,947	3,707,632	562,333
Accumulated depreciation	(842,418)	(348,755)	(1,191,173)	(291,236)
Total Noncurrent assets	1,441,267	1,075,192	2,516,459	271,097
TOTAL ASSETS	\$ 1,709,856	\$ 1,184,758	\$ 2,894,614	\$ 426,686
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current liabilities				
Accounts payable	\$ 2,617	\$ 4,177	\$ 6,794	\$ 1,261
Due to other funds	-	26,626	26,626	15,204
Customers deposits payable	319	1,611	1,930	-
Current portion of long-term debt	22,000	10,000	32,000	-
Total current liabilities	24,936	42,414	67,350	16,465
Noncurrent liabilities				
Bonds payable-net of current portion	903,127	350,000	1,253,127	-
Advance from other funds	-	82,346	82,346	-
Total noncurrent liabilities	903,127	432,346	1,335,473	-
TOTAL LIABILITIES	928,063	474,760	1,402,823	16,465
NET ASSETS				
Invested in capital assets - net of related debt	516,140	632,846	1,148,986	271,097
Restricted	24,756	4,894	29,650	-
Unrestricted	240,897	72,258	313,155	139,124
TOTAL NET ASSETS	781,793	709,998	1,491,791	410,221
TOTAL LIABILITIES AND NET ASSETS	\$ 1,709,856	\$ 1,184,758	\$ 2,894,614	\$ 426,686

City of Olivet

Eaton County, Michigan

Proprietary Funds

Statement of Revenue, Expenses and Changes in Net Assets

For the year ended June 30, 2006

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
OPERATING REVENUE				
Charges for services	\$ 177,049	\$ 166,998	\$ 344,047	\$ 31,012
OPERATING EXPENSES				
Salaries	20,001	26,088	46,089	10,630
Supplies	6,094	8,861	14,955	17,341
Contractual services	64,225	77,399	141,624	4,206
Utilities	3,399	10,043	13,442	6,284
Repairs	-	11,393	11,393	2,929
Rent	5,083	5,472	10,555	-
Education	263	538	801	-
Other	-	170	170	-
Depreciation	57,757	27,252	85,009	30,447
Capital outlay	-	2,466	2,466	200
TOTAL OPERATING EXPENSES	156,822	169,682	326,504	72,037
OPERATING INCOME (LOSS)	20,227	(2,684)	17,543	(41,025)
NONOPERATING REVENUE (EXPENSES)				
Interest on investments	5,910	191	6,101	3,623
Interest expense	(42,936)	(14,418)	(57,354)	-
Other state grants	-	43,983	43,983	-
Other revenue	-	-	-	4,880
TOTAL NONOPERATING REVENUES (EXPENSE)	(37,026)	29,756	(7,270)	8,503
Income (loss) before contributions and transfers	(16,799)	27,072	10,273	(32,522)
Transfers in	-	-	-	48,000
Transfers out	(8,000)	(7,000)	(15,000)	-
CHANGE IN NET ASSETS	(24,799)	20,072	(4,727)	15,478
NET ASSETS, BEGINNING OF YEAR	806,592	689,926	1,496,518	394,743
NET ASSETS, END OF YEAR	\$ 781,793	\$ 709,998	\$ 1,491,791	\$ 410,221

City of Olivet

Eaton County, Michigan

Proprietary Funds

Statement of Cash Flows

For the year ended June 30, 2006

	Sewer Fund	Water Fund	Total	Governmental activities - Internal Service Fund
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Receipts from customers	\$ 179,253	\$ 159,727	\$ 338,980	\$ 31,013
Payments to suppliers	(76,447)	(112,165)	(188,612)	(30,961)
Payments to employees	(20,001)	(26,088)	(46,089)	(10,630)
Customer deposits	-	(2,673)	(2,673)	-
Net cash provided (used) by operating activities	82,805	18,801	101,606	(10,578)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Operating subsidies and transfers to/from other funds	(8,000)	(7,000)	(15,000)	48,000
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>				
Purchase of capital assets	(60,438)	-	(60,438)	(109,176)
Principal and interest paid on capital debt	(81,936)	(24,418)	(106,354)	-
Other receipts (payments)	-	43,983	43,983	4,880
Net cash provided (used) by capital and related financing activities	(142,374)	19,565	(122,809)	(104,296)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>				
Interest and dividends	5,910	191	6,101	3,623
Net increase (decrease) in cash and cash equivalents	(61,659)	31,557	(30,102)	(63,251)
Balances - beginning of year	272,855	38,397	311,252	193,704
Balances - end of year	\$ 211,196	\$ 69,954	\$ 281,150	\$ 130,453
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</u>				
Operating income (loss)	\$ 20,227	\$ (2,684)	\$ 17,543	\$ (41,025)
Provided (used) by operating activities				
Depreciation expense	57,757	27,252	85,009	30,447
Change in net assets and liabilities				-
Receivables - net	2,204	(7,271)	(5,067)	-
Accounts and other payables	2,617	4,177	6,794	-
Customer deposits	-	(2,673)	(2,673)	-
Net cash provided by operating activities	\$ 82,805	\$ 18,801	\$ 101,606	\$ (10,578)

City of Olivet

Eaton County, Michigan

Fiduciary Fund

Statement of Fiduciary Net Assets

Year Ended June 30, 2006

ASSETS

Cash and investments	\$	1,360
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LIABILITIES

Due to other governments	\$	1,360
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NOTES TO FINANCIAL STATEMENTS

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Olivet conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Olivet:

A. Reporting Entity

The City of Olivet was incorporated under the provisions of Act 8, P.A. 1895 as amended as a General Law City. The City operates under a President-Council form of government and provides the following services as authorized by its charter: public safety, public works, culture and recreation, public improvement, and general administration services.

Discretely Presented Component Units

The City of Olivet Economic Development Corporation accounts for loans granted to businesses operating in the City. The component unit column in the combined financial statements include the financial data for the City's Economic Development Corporation. This unit is reported in a separate column to emphasize that it is legally separate from the City. The members of the governing committee are appointed by the City Council.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City of Olivet's property tax is levied on each December 1 on the taxable valuation of property (as defined by State statutes) located in the City of Olivet as of the preceding December 31st.

Although the City of Olivet's 2005 ad valorem tax is levied and collectible on December 1, 2006, it is the City of Olivet's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2005 taxable valuation of the City of Olivet totaled \$14,344,900, on which ad valorem taxes levied consisted of the following:

	Mills levied	Raising
Operating	13.3335 \$	191,268
Voted	1.0776	15,458

These amounts are recognized in the General Fund financial statements as taxes receivable-current.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund and the Local Street Fund are used to account for the maintenance and construction of the City's street system. These funds account for revenues provided by the State through Act 51.

The government reports the following major proprietary funds:

The Water Fund and the Sewer Fund account for the activities of the water distribution system and sewage collection system.

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Inventories and Prepaid Items--Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets--Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Other infrastructure	10 to 30 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)--It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

Long-Term Obligations--In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications--Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 2- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information--Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The City normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before April 1, the City Finance Committee submits to the Council, a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the City hall to obtain taxpayer comments.

On or before April 1, the budget is adopted by resolution.

The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are presented as originally adopted, or as amended by the City Council before June 30. Individual amendments were not material in relation to the original appropriations which were amended.

Budgets as presented for the general and debt service funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the City Council throughout the operating year.

The City legally adopts budgets for the General Fund, and Debt Service Funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the City Council.

The legal level of control is at the activity level of the General Fund, and at the fund expenditure totals for the and Debt Service funds.

The City Council directs the Treasurer to transfer budgeted amounts between accounts within the same department. Revisions that alter the total expenditures of any fund or total department expenditures must be approved by the City Council.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Excess of Expenditures Over Appropriations in Budgeted Funds--During the year, City of Olivet incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

	Budget appropriation	Actual expenditure
Buildings and grounds	\$ 13,950	\$ 20,486
Board of review	1,000	1,586
Fire department	65,815	90,596
General Fund Transfers Out	18,000	28,000
Major Streets Fund	79,450	152,158
Local Streets Fund	40,200	44,445

Note 3 - Deposits and Investments

State statutes authorize the City to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the City is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The City's deposits are in accordance with statutory authority.

As of June 30, 2006, the City had the following deposits.

Eaton Federal Savings Bank	\$ 1,107,259
Independent Bank	272,945
Total	\$ 1,380,204

At year end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Proprietary Funds	Trust and Agency Funds	Internal Service Fund	Total Primary Government
Cash and investments	\$ 930,284	\$ 281,150	\$ 1,360	\$ 130,453	\$ 1,341,887

The deposits of the City were reflected in the accounts of financial institutions at \$1,380,204, of which \$346,872 is covered by federal depository insurance. \$1,033,332 is uninsured. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 4 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

Governmental Activities	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2006
Capital assets being depreciated:				
Buildings	\$ 168,656	\$ 91,557	\$	\$ 260,213
Vehicles	826,320			826,320
Equipment	434,993			434,993
Streets infrastructure		105,953		105,953
Subtotal	1,429,969	197,510		1,627,479
Accumulated depreciation:				
Buildings	108,299	12,097		120,396
Vehicles	423,656	40,662		464,318
Equipment	245,836	25,270		271,106
Streets infrastructure		9,518		9,518
Subtotal	777,791	87,547		865,338
Net capital assets being depreciated	652,178	109,963		762,141
Net capital assets	\$ 652,178	\$ 109,963	\$	\$ 762,141

Business-Type Activities	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2006
Capital assets being depreciated:				
Sewer system	\$ 2,223,246	\$ 60,439	\$	\$ 2,283,685
Water system	1,423,947			1,423,947
Subtotal	3,647,193	60,439		3,707,632
Accumulated depreciation:				
Sewer system	784,661	57,757		842,418
Water system	321,503	27,252		348,755
Subtotal	1,106,164	85,009		1,191,173
Net capital assets being depreciated	2,541,029	(24,570)		2,516,459
Net capital assets	\$ 2,541,029	\$ (24,570)	\$	\$ 2,516,459

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$	3,543
Public safety		48,074
Public works		24,262
Parks		2,150
Streets infrastructure		9,518
Total governmental activities	\$	87,547

Business-Type activities:

Sewer	\$	57,757
Water		27,252
Total Business-Type activities	\$	85,009

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivable Fund	Payable Fund	Amount
General Fund	Water Fund	\$ 82,346
General Fund	Major Streets Fund	35,005
General Fund	Local Streets Fund	6,005
General Fund	Water Fund	1,490
Act 302 Fund	General Fund	345
Sewer Fund	Equipment Fund	15,204
Equipment Fund	Water Fund	25,136
Total	\$	165,531

Interfund Transfers

Transfers In	Transfers Out							Total
	General Fund	Major Streets Fund	Local Streets Fund	Municipal Street Fund	Sewer Fund	Water Fund		
Major Streets Fund	\$ -	\$ -	\$ -	\$ 7,000	\$ -	\$ -	\$ -	\$ 7,000
Local Streets Fund	-	-	-	25,000	-	-	-	25,000
Equipment Fund	28,000	2,000	1,000	2,000	8,000	7,000		48,000
Total	\$ 28,000	\$ 2,000	\$ 1,000	\$ 34,000	\$ 8,000	\$ 7,000	\$ -	\$ 80,000

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 6 - LONG-TERM DEBT

Bond and contractual obligation activity can be summarized as follows:

	Balance				Balance	Due within one
	July 1, 2005		Additions	Reductions	June 30, 2006	year
Sewer bonds	\$ 964,127	\$		\$ 39,000	\$ 925,127	\$ 22,000
Water bonds	370,000			10,000	360,000	10,000
Totals	\$ 1,334,127	\$	\$	49,000	\$ 1,285,127	\$ 32,000

Annual debt service requirements to maturity for the above obligation follows:

June 30,	Business Activities	
	Principal	Interest
2007	\$ 32,000	\$ 55,158
2008	38,000	53,652
2009	39,000	52,002
2010	40,000	50,307
2011	41,000	48,567
2012	47,000	46,684
2013	48,000	44,657
2014	49,000	42,584
2015	50,000	40,466
2016	56,000	38,205
2017	57,000	35,800
2018	58,000	33,349
2019	59,000	30,854
2020	60,000	28,315
2021	61,000	25,730
2022	67,000	23,001
2023	68,000	20,128
2024	39,000	17,803
2025	40,000	16,026
2026	41,000	14,203
2027	42,000	12,335
2028	44,000	10,400
2029	46,000	8,375
2030	42,000	6,395
2031	50,000	4,325
2032	50,000	2,075
2033	21,127	475
Totals	\$ 1,285,127	\$ 761,871

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 7 - SEGMENT INFORMATION

The City operates two funds which provide sewage and water services. Summary financial information for the sewer department is presented below:

Condensed Statement of Net Assets

	Sewer Fund	Water Fund
Assets		
Current assets	\$ 268,589	\$ 109,566
Capital assets	1,441,267	1,075,192
Total Assets	1,709,856	1,184,758
Liabilities		
Current liabilities	24,936	42,414
Noncurrent liabilities	903,127	432,346
Total Liabilities	928,063	474,760
Net Assets		
Invested in capital assets	516,140	632,846
Restricted	24,756	4,894
Unrestricted	240,897	72,258
Total Net Assets	\$ 781,793	\$ 709,998

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

Condensed Statement of Revenue, Expenses, and Changes in Net Assets

	Sewer Fund	Water Fund
Charges for services	\$ 177,049	\$ 166,998
Depreciation	57,757	27,252
Other operating expenses	99,065	142,430
Operating income	20,227	(2,684)
Nonoperating revenue (expense)		
Investment earnings	5,910	191
Interest expense	(42,936)	(14,418)
State grants	-	43,983
Transfers out	(8,000)	(7,000)
Total nonoperating revenue and expenses	(45,026)	22,756
Changes in net assets	(24,799)	20,072
Beginning net assets	806,592	689,926
Ending net assets	\$ 781,793	\$ 709,998

Condensed Statement of Cash Flows

	Sewer Fund	Water Fund
Net cash provided by (used in)		
Operating activities	\$ 82,805	\$ 18,801
Noncapital financing activities	(8,000)	(7,000)
Capital and related financing activities	(142,374)	19,565
Investing activities	5,910	191
Net increase (decrease) in cash	(61,659)	31,557
Beginning cash and cash equivalents	272,855	38,397
Ending cash and cash equivalents	\$ 211,196	\$ 69,954

City of Olivet

Eaton County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2006

NOTE 8 - RECEIVABLES

Receivables as of year-end for the City's individual major and nonmajor funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Major Streets Fund	Local Streets Fund	Sewer Fund	Water Fund	Total
Accounts receivable	\$ -	\$ -	\$ -	\$ 42,189	\$ 39,612	\$ 81,801
Intergovernmental	25,514	9,128	4,043	-	-	38,685
Net Receivables	\$ 25,514	\$ 9,128	\$ 4,043	\$ 42,189	\$ 39,612	\$ 120,486

NOTE 9 - ADJUSTMENT TO CAPITAL ASSETS

Net assets and capital assets as of the beginning of the year were adjusted in order to agree with client capital asset balances. The balances were increased by \$45,685.

NOTE 10 - RISK MANAGEMENT

The City of Olivet is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of Olivet obtains commercial insurance coverage through the MCM Group for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The shared-risk pool program in which the City participates operates as a common risk-sharing management program for municipalities in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE 11 - OTHER POST-EMPLOYMENT BENEFITS

The City has no post-retirement benefit plans at this time other than its pension plan.

NOTE 12 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

The City of Olivet deposits 4% of gross wages into Individual Retirement Accounts in each employee's name. Employer contributions for the year were \$8,288.

NOTE 13 - COMPENSATED ABSENCES

All full time employees earn vacation pay beginning when they are hired. Vacation time that is earned but not used by the employee's anniversary date is paid.

Full-time employees are entitled to five sick days per year. Up to 30 sick days are allowed to be carried over to the next year. Upon termination, any unused sick days will be paid. Compensated absences payable at June 30, 2006 are immaterial.

Required Supplemental Information

City of Olivet

Eaton County, Michigan

General Fund

Balance Sheet

For the year ended June 30, 2006

ASSETS

Cash	\$	591,884
Due from other units of government		25,514
Due from other funds		42,500
Advances to other funds		82,346
TOTAL ASSETS		\$ 742,244

LIABILITIES AND FUND EQUITY

LIABILITIES

Accounts payable	\$	8,732
Due to other funds		345
TOTAL LIABILITIES		9,077

FUND EQUITY

Fund balance		733,167
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TOTAL LIABILITIES AND FUND BALANCES	\$	742,244
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City of Olivet

Eaton County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006

	Original and final budget	Actual	Variance with final budget
REVENUES			
Property Taxes			
Current property taxes	\$ 179,000	\$ 176,680	\$ (2,320)
Federal grants	-	40,717	40,717
State Grants			
State revenue sharing	205,300	202,119	(3,181)
Licenses and permits	5,150	5,093	(57)
Fines and forfeitures	5,350	5,846	496
Charges for services	34,300	38,198	3,898
Interest and Rentals			
Interest on investments	-	11,568	11,568
Other Revenue			
Contributions from local units	-	1,489	1,489
Other revenue	521	1,336	815
Contributions and donations	-	379	379
Total Other Revenue	521	3,204	2,683
TOTAL REVENUES	429,621	483,425	53,804

City of Olivet

Eaton County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006

	Original and final budget	Actual	Variance with final budget
<u>EXPENDITURES</u>			
General government			
City Commission	\$ 3,000	\$ 2,620	\$ 380
Mayor	600	550	50
Clerk	50,100	39,429	10,671
Elections	9,340	5,022	4,318
Buildings and grounds	13,950	20,486	(6,536)
Assessor	5,000	4,949	51
Cemetery	12,685	8,020	4,665
Board of review	1,000	1,586	(586)
Total General government	95,675	82,662	13,013
Public safety			
Police	142,500	129,599	12,901
Fire department	65,815	90,596	(24,781)
Total Public safety	208,315	220,195	(11,880)
Department of public works			
Street lighting	15,000	13,565	1,435
Parking lot	1,880	380	1,500
Total Department of public works	16,880	13,945	2,935
Recreation and culture			
Parks and recreation department	17,040	15,182	1,858
Health and welfare			
Ambulance	9,540	8,948	592
Economic development			
Zoning	2,000	1,570	430

City of Olivet

Eaton County, Michigan

General Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006

	Original and final budget	Actual	Variance with final budget
Other			
Insurance	\$ 54,000	\$ 55,134	\$ (1,134)
Retirement	10,000	8,288	1,712
Social security	22,000	17,480	4,520
Total Other	86,000	80,902	5,098
TOTAL EXPENDITURES	435,450	423,404	12,046
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(5,829)	60,021	65,850
OTHER FINANCING SOURCES (USES)			
Transfers in	28,000	-	(28,000)
Transfers out	(18,000)	(28,000)	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	(28,000)	(38,000)
NET CHANGE IN FUND BALANCES	4,171	32,021	27,850
Fund balance at beginning of year	701,146	701,146	-
Fund balance at end of year	\$ 705,317	\$ 733,167	\$ 27,850

City of Olivet

Eaton County, Michigan

Major Streets Fund

Balance Sheet

For the year ended June 30, 2006

ASSETS

Cash	\$	113,852
Due from other units of government		9,128
TOTAL ASSETS	\$	122,980

LIABILITIES AND FUND EQUITY

LIABILITIES

Due to other funds	\$	35,005
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FUND EQUITY

Fund balance		87,975
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TOTAL LIABILITIES AND FUND BALANCES	\$	122,980
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City of Olivet

Eaton County, Michigan

Major Streets Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006

	Final budget	Actual	Variance with final budget
REVENUES			
State Grants			
Michigan transportation funds	\$ 85,000	\$ 82,579	\$ (2,421)
Other state grants	-	3,359	3,359
Total State Grants	85,000	85,938	938
Charges for services	2,000	2,183	183
Interest on investments	500	-	(500)
TOTAL REVENUES	87,500	88,121	621
EXPENDITURES			
Public works			
Construction of streets	12,800	72,059	(59,259)
Preservation of streets	47,100	31,951	15,149
Traffic services	1,750	148	1,602
Winter maintenance	11,500	10,265	1,235
Administration and engineering	6,300	37,735	(31,435)
Total Public works	79,450	152,158	(72,708)
TOTAL EXPENDITURES	79,450	152,158	(72,708)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	8,050	(64,037)	(72,087)
OTHER FINANCING SOURCES (USES)			
Transfers in	7,000	7,000	-
Transfers out	(12,000)	(2,000)	10,000
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	5,000	10,000
NET CHANGE IN FUND BALANCES	3,050	(59,037)	(62,087)
Fund balance at beginning of year	147,012	147,012	-
Fund balance at end of year	\$ 150,062	\$ 87,975	\$ (62,087)

City of Olivet

Eaton County, Michigan

Local Streets Fund

Balance Sheet

For the year ended June 30, 2006

ASSETS

Cash	\$	188,687
Due from other units of government		4,043
TOTAL ASSETS	\$	192,730

LIABILITIES AND FUND EQUITY

Due to other funds	\$	6,005
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FUND EQUITY

Fund balance		186,725
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TOTAL LIABILITIES AND FUND BALANCES	\$	192,730
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City of Olivet

Eaton County, Michigan

Local Streets Fund

Budgetary Comparison Schedule

For the year ended June 30, 2006

	Final budget	Actual	Variance with final budget
REVENUES			
State Grants			
Michigan transportation funds	\$ 23,000	\$ 23,452	\$ 452
Other state grants	-	2,239	2,239
Total State Grants	23,000	25,691	2,691
Charges for services	1,000	1,337	337
Interest on investments	-	295	295
TOTAL REVENUES	24,000	27,323	3,323
EXPENDITURES			
Public works			
Construction of streets	8,000	17,922	(9,922)
Preservation of streets	19,000	16,890	2,110
Traffic services	1,000	-	1,000
Winter maintenance	7,000	4,517	2,483
Administration and engineering	5,200	5,116	84
Total Public works	40,200	44,445	(4,245)
TOTAL EXPENDITURES	40,200	44,445	(4,245)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,200)	(17,122)	(922)
OTHER FINANCING SOURCES (USES)			
Transfers in	23,000	25,000	2,000
Transfers out	(6,500)	(1,000)	5,500
TOTAL OTHER FINANCING SOURCES (USES)	16,500	24,000	7,500
NET CHANGE IN FUND BALANCES	300	6,878	6,578
Fund balance at beginning of year	179,847	179,847	-
Fund balance at end of year	\$ 180,147	\$ 186,725	\$ 6,578

NONMAJOR GOVERNMENTAL FUNDS

City of Olivet

Eaton County, Michigan

Nonmajor Funds

Combining Balance Sheet

June 30, 2006

	Special Revenue Funds				
	Municipal Streets	Drug Forfeiture	Community Recycling	Act 302 Fund	Highway Safety
<u>ASSETS</u>					
Cash	\$ 16,780	\$ 114	\$ 2,385	\$ 137	\$ 426
Due from other funds	-	-	-	345	-
TOTAL ASSETS	\$ 16,780	\$ 114	\$ 2,385	\$ 482	\$ 426
<u>LIABILITIES AND FUND EQUITY</u>					
FUND EQUITY					
Unreserved fund balances	\$ 16,780	\$ 114	\$ 2,385	\$ 482	\$ 426

Permanent Fund			
Cemetery Care		Total	
\$	16,019	\$	35,861
	-		345
\$	16,019	\$	36,206
\$	16,019	\$	36,206

City of Olivet

Eaton County, Michigan

Nonmajor Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

June 30, 2006

	Special Revenue Funds				
	Municipal Streets	Drug Forfeiture	Community Recycling	Act 302 Fund	Highway Safety
REVENUE					
Property tax	\$ 34,464	\$ -	\$ -	\$ -	\$ -
Contributions from local units	-	-	6,079	-	-
State grant	-	-	-	345	-
Interest revenue	480	-	-	-	8
TOTAL REVENUE	34,944	-	6,079	345	8
EXPENDITURES					
Community development and enrichment	-	-	6,598	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	34,944	-	(519)	345	8
OTHER FINANCING SOURCES (USES)					
Transfers out	(34,000)	-	-	-	-
NET CHANGE IN FUND BALANCES	944	-	(519)	345	8
FUND BALANCES, BEGINNING OF YEAR	15,836	114	2,904	137	418
FUND BALANCES, END OF YEAR	\$ 16,780	\$ 114	\$ 2,385	\$ 482	\$ 426

Permanent Fund			
Cemetery Care		Total	
\$	-	\$	34,464
	-		6,079
	-		345
	-		488
	-		41,376
	-		6,598
	-		34,778
	-		(34,000)
	-		778
	16,019		35,428
\$	16,019	\$	36,206

City of Olivet

Eaton County, Michigan

Fiduciary Funds

Combining Statement of Fiduciary Net Assets

Year Ended June 30, 2006

	Winter Tax Collection Fund		Holiday Decoration Fund		Total
<u>ASSETS</u>					
Cash and investments	\$	562	\$	798	\$ 1,360
<u>LIABILITIES</u>					
Due to others	\$	562	\$	798	\$ 1,360

LONG-TERM DEBT SCHEDULE

City of Olivet

City of Olivet

Schedule of Debt

\$1,147,000 1994 Sewer Revenue Bonds

June 30, 2006

Year ended June 30,	Interest Rate	Principal	July Interest	January Interest	Total
2007	4.500%	\$ 22,000	\$ 20,815	\$ 20,320	\$ 63,135
2008	4.500%	23,000	20,320	19,803	63,123
2009	4.500%	24,000	19,803	19,263	63,066
2010	4.500%	25,000	19,263	18,700	62,963
2011	4.500%	26,000	18,700	18,115	62,815
2012	4.500%	27,000	18,115	17,508	62,623
2013	4.500%	28,000	17,508	16,878	62,386
2014	4.500%	29,000	16,878	16,225	62,103
2015	4.500%	30,000	16,225	15,550	61,775
2016	4.500%	31,000	15,550	14,853	61,403
2017	4.500%	32,000	14,853	14,133	60,986
2018	4.500%	33,000	14,133	13,390	60,523
2019	4.500%	34,000	13,390	12,625	60,015
2020	4.500%	35,000	12,625	11,838	59,463
2021	4.500%	36,000	11,838	11,028	58,866
2022	4.500%	37,000	11,028	10,195	58,223
2023	4.500%	38,000	10,195	9,340	57,535
2024	4.500%	39,000	9,340	8,463	56,803
2025	4.500%	40,000	8,463	7,563	56,026
2026	4.500%	41,000	7,563	6,640	55,203
2027	4.500%	42,000	6,640	5,695	54,335
2028	4.500%	44,000	5,695	4,705	54,400
2029	4.500%	46,000	4,705	3,670	54,375
2030	4.500%	42,000	3,670	2,725	48,395
2031	4.500%	50,000	2,725	1,600	54,325
2032	4.500%	50,000	1,600	475	52,075
2033	4.500%	21,127	475	-	21,602
Totals		\$ 925,127	\$ 322,115	\$ 301,300	\$ 1,548,542

City of Olivet

City of Olivet

Schedule of Debt

\$390,000 2002 Water Capital Improvement General Obligation Bonds

June 30, 2006

Year ended June 30,	Interest Rate	Principal	November Interest	May Interest	Total
2007	3.950%	\$ 10,000	\$ 7,110	\$ 6,913	\$ 24,023
2008	3.950%	15,000	6,913	6,616	28,529
2009	3.950%	15,000	6,616	6,320	27,936
2010	3.950%	15,000	6,320	6,024	27,344
2011	3.950%	15,000	6,024	5,728	26,752
2012	3.950%	20,000	5,728	5,333	31,061
2013	3.950%	20,000	5,333	4,938	30,271
2014	3.950%	20,000	4,938	4,543	29,481
2015	3.950%	20,000	4,543	4,148	28,691
2016	3.950%	25,000	4,148	3,654	32,802
2017	3.950%	25,000	3,654	3,160	31,814
2018	3.950%	25,000	3,160	2,666	30,826
2019	3.950%	25,000	2,666	2,173	29,839
2020	3.950%	25,000	2,173	1,679	28,852
2021	3.950%	25,000	1,679	1,185	27,864
2022	3.950%	30,000	1,185	593	31,778
2023	3.950%	30,000	593	-	30,593
Totals		\$ 360,000	\$ 72,783	\$ 65,673	\$ 498,456

AUDITORS' REPORTS

COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the City Council
City of Olivet
Eaton County, Michigan

We have audited the general purpose financial statements of the City of Olivet, Eaton County, Michigan for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 30, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of Olivet. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

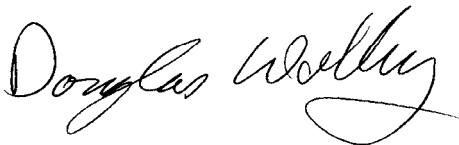
As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of Olivet's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Olivet are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2006. We noted no transactions entered into by the City of Olivet during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the City City Council and management of the City of Olivet and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 15, 2006

MANAGEMENT COMMENTS LETTER

To the City Council
City of Olivet
Eaton County, Michigan

In planning and performing our audit of the financial statements of the City of Olivet for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

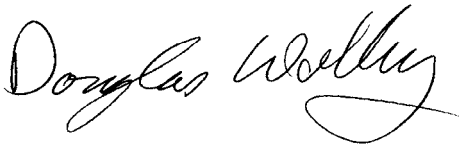
Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of Olivet's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the City Council, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the June 30, 2006 financial statements, and this report does not affect our report on those financial statements dated December 15, 2006. We have not considered the internal control since the date of our report.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 15, 2006

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the City Council
City of Olivet
Eaton County, Michigan

We have audited the general purpose financial statements of the City of Olivet, Eaton County, Michigan as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

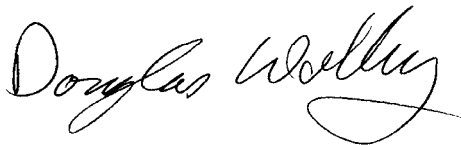
Compliance

As part of obtaining reasonable assurance about whether the City of Olivet's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Olivet's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA
Byron Center, Michigan
December 15, 2006